

Message Text

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ACTION PM-04

INFO OCT-01 EUR-12 ISO-00 L-03 MC-02 CIAE-00 INR-07

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 7219

SECDEF WASHDC

LIMITED OFFICIAL USE THE HAGUE 0099

SECDEF FOR SECRETARY OF THE NAVY FROM AMBASSADOR

E.O. 11652: N/A

TAGS: MASS, NL

SUBJ: DUTCH CONCERN RE HARPOON SALE

1. DEAR BILL: KNOWING YOUR INTEREST IN MATTERS HERE, I THOUGHT YOU WOULD APPRECIATE BEING ALERTED TO A SITUATION WHICH HAS THE DUTCH VERY CONCERNED. MOREOVER, IT MAY BE A SITUATION THAT INVOLVES SOME OF OUR OTHER ALLIES AS WELL AND THAT COULD HAVE A BEARING ON OUR GENERAL EFFORTS TO ENCOURAGE STANDARDIZATION AND RATIONALIZATION WITHIN NATO.

2. IT APPEARS THAT RECENT AMENDMENTS TO LOA FOR HARPOON SIGNIFICANTLY EXCEED THE COST THRESHOLDS ESTABLISHED AT THE SIGNING IN JULY 1974. APPARENTLY THE PRICES OF THE MISSILE AND LAUNCHER HAVE ESCALATED BY 15 AND 30 PERCENT RESPECTIVELY.

3. WHILE THIS ALONE HAS CAUSED THE DUTCH CONCERN, THEY ARE MORE UPSET BY WHAT THEY BELIEVE TO BE AN AFTER-THE-FACT INSERTION OF COSTS WHICH ARE IDENTIFIED AS ADDITIONAL R AND D RECOUPMENT FUNDS AS A SHARE OF THE OPEVAL COSTS. THE DUTCH MILITARY ARE SPEAKING IN TERMS OF "LACK OF FAITH IN US CONTRACTS", "THE CREDIBILITY OF US COMMITMENTS", AND EVEN ASSERT THAT THIS CAN BE INTER-

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PRETED AS "A BREACH OF TRUST" IN THE USN.

4. WE WERE SHOWN A MESSAGE JANUARY 8 IN WHICH THE DUTCH NAVAL ATTACHE IN WASHINGTON WAS TOLD TO INFORM THE US NAVY THAT THE AMENDMENTS ARE "NOT APPROPRIATE" AND "CONSTITUTED AN UNACCEPTABLE DEPARTURE" FROM THE LOA THEY HAVE SIGNED.

5. WE HAVE ALSO BEEN TOLD THAT A LETTER IS IN STAFFING IN THE NAVY, FOR EITHER STEMERDINK'S OR VREDELING'S SIGNATURE, THAT WILL OUTLINE THE DUTCH ATTITUDE AND PROTEST THE "NEW" FIGURES IN THE LOA. THIS LETTER WILL GO TO DR. BENNETT OR SECRETARY RUMSFELD.

6. THE FOREGOING NOTWITHSTANDING, WE BELIEVE THE DUTCH STILL WANT THE MISSILE IF THE NEW CHARGES CAN BE REVIEWED AND RATIONALIZED. WHATEVER ASSISTANCE YOU CAN FURNISH TO SETTLING THIS PROBLEM AND ASSUAGING DUTCH FEELINGS WOULD BE MOST APPRECIATED. REGARDS, KINGDON.
GOULD

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